GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:1191
ANSWERED ON:07.03.2008
DIVERSION OF FUNDS TO ASSOCIATE COMPANIES
Shaheen Shri Abdul Rashid

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether many companies are diverting their funds to their associate companies, by way of investment in subsidiaries companies and violating Companies Act, 1956/IPC;

(b) if so, the names of companies who have diverted funds to their associate companies during the last three years, State-wise;

(c) the action taken against them during the last three years;and

(d) the number of cases pending in the courts regarding this matter?

Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI PREM CHAND GUPTA)

(a)&(b) The names of companies that have been found to have diverted their funds to their associate companies in violation of the provisions of the Companies Act, 1956 /IPC during the last three years is at Annex.

(c)&(d) Legal action under the provisions of the Companies Act, 1956 has been initiated against fourteen companies found to have diverted funds in violation of the Act. Currently, twelve cases are pending against eleven companies before the appropriate courts of Law. In case of two other companies, orders compounding the offence in question have been issued by the Company Law Board. In case of one company, show cause notice has been issued.